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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY cf DATE 2/7/18
PORTIONS DENIED AS INDICATED

INFO OCT-01 EUR-20 PM-05 NSC-10 SS-20 RSC-01 L-04 CIAE-00

INR-07 NSAE-00 DODE-00 E-15 COM-08 INT-06 TRSY-11

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C O N F I D E N T I A L TRIPOLI 1352

C O R R E C T E D C O P Y

SUBJECT : POSTED PRICE NEGOTIATIONS -- STATUS REPORT

REFERENCE: TRIPOLI 1187, STATE 143147 (NOTAL)

1. AMBASSADOR'S SERIES OF MEETINGS WITH DEPRIMONI JALLUUD ON WHEELUS-RELATED MATTERS OVER PAST SEVERAL WEEKS HAS GIVEN LARG OPPORTUNITY TO PASS ASSURANCES OF ITS FLEXIBILITY AND DESIRE FOR NEGOTIATED SETTLEMENT TO OIL COMPANIES THROUGH EMBASSY. COMPANIES HAVE RESPONDED, AGAIN THROUGH EMBASSY, WITH ASSURANCES OF THEIR WILLINGNESS TO BE RESPONSIVE TO LARG'S DEMANDS AND REITERATION THAT BARRIER TO ACCOMMODATION IS LARG'S RIGID POSITION AS EXPRESSED BY MAGHRABI NEGOTIATING COMMITTEE.

2. [redacted] B1 SUBSEQUENTLY, ESSO TENTATIVELY EXERCISED THIS CHANNEL, STIPULATING THAT IT COULD NOT MAKE OFFER SOUGHT BY QIBLAAWI TO ANYONE UNTIL IT WAS ASSURED LARG'S POSITION WAS FLEXIBLE ENOUGH TO PERMIT NEOGITATION IN REALISTIC PRICE RANGE. ASSURANCES

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AGAIN PASSED BY JALLUUD THROUGH QIBLAAWI THAT LARG PREPARED TO BE FLEXIBLE.

3. ESSO SOMEWHAT REASSURED BY JALLUUD'S INDIRECT RESPONSES AND WAS SPURRED BY JALLUUD'S STATEMENT TO AMBASSADOR ON MAY 29 THAT PRICE MATTER COULD NOT BE LEFT AS IT STOOD. TO AGREE WITH AMBASSADOR THAT WAY OUGHT TO BE FOUND FOR PARTIES TO COMMUNICATE THEIR ASSURANCES AND CONCERNS DIRECTLY TO EACH OTHER. IN THIS CONTEXT, ESSO ACKNOWLEDGED IT WOULD WELCOME OPPORTUNITY TO MAKE DIRECT APPEAL TO JALLUUD FOR TEMPERING OF LARG'S ALL-OR-NOTHING POSITION IN EXCHANGE FOR REITERATION OF ESSO'S WILLINGNESS TO BE RESPONSIVE TO FIVE POINTS RAISED BY PRIMIN QADHAAFI IN JANUARY. AMBASSADOR THEN AGREED TO SEEK MEETING WITH JALLUUD TO PROPOSE TWO SIDE COMMUNICATE DIRECTLY TO EACH OTHER ASSURANCES AND CONCERNS EACH HAD DESCRIBED TO HIM. AMBASSADOR'S MEETING WITH JALLUUD TOOK PLACE JUNE 7.

4. JALLUUD DECLINED TO MEET WITH ESSO AND TOOK POSITION THAT, IF NEGOTIATIONS ARE TO PROGRESS, COMPANIES MUST MAKE PRICE OFFER. IN SUBSTANCE, JALLUUD SAID LARG NEGOTIATORS HAVE TAKEN PRICE POSITION AND HAVE ASSURED HIM THEY ARE FLEXIBLE AND WILLING TO NEGOTIATE, BUT COMPANIES HAVE REFRAINED FROM MAKING COUNTER PROPOSAL. UNTIL BOTH SIDES MAKE PROPOSAL, THERE IS NO NEGOTIATION BUT ONLY DISCUSSION OF PRICE PROBLEM IN GENERAL TERMS. LARG SURPRISED. JALLUUD SAID, IN VIEW OF ESSO'S WRITTEN ASSURANCES TO MABRUUK THAT IT WAS PREPARED TO RESPOND TO POINTS RAISED AT OPENING OF NEGOTIATIONS BY QADHAAFI, THAT COMPANIES HAVE NOT BEEN FORTHCOMING. AMBASSADOR ARGUED THAT DIRECT CONTACT WITH COMPANIES (IN THIS CASE ESSO) COULD PROVIDE MEANS TO OVERCOME HISTORY OF NEGOTIATIONS IN WHICH LARG HAS TAKEN TOUGH AND, FROM COMPANIES' STANDPOINT, RIGID POSITION. JALLUUD REITERATED THAT NEXT MOVE IS FOR COMPANIES TO MAKE SPECIFIC PROPOSAL. ONCE THERE IS GAP TO BE BRIDGED, RCC MIGHT THEN USEFULLY INTERVENE TO BRING TWO SIDES TOGETHER.

5. AMONG OTHER OIL COMPANIES, ONLY OCCIDENTAL, AS ACTIVE NEGOTIATOR, INFORMED BY EMBASSY OF EFFORT TO ARRANGE ESSO-JALLUUD MEETING. OXY RAISED NO OBJECTION, BUT MADE CLEAR IT DID NOT SEEK SIMILAR OPPORTUNITY.

6. COMMENT: EMBASSY CONCLUDES THAT:

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A) RCC IS COMMITTED TO GAINING SOMETHING SUBSTANTIAL FROM PRICE NEGOTIATIONS, BUT IS NOT COMMITTED TO MAGHRABI POSITION.

B) MAGHRABI COMMITTEE REMAINS NEGOTIATING INSTRUMENT, BUT RCC IS CONCERNED ABOUT LACK OF PROGRESS -- ALTHOUGH IT APPARENTLY ACCEPTS COMMITTEE'S ASSURANCE ITS POSITION IS NOT BARRIER TO NEGOTIATION.

C) RCC CONSIDERS PRICE NEGOTIATIONS ANALAGOUS TO MARKET SITUATION, IN WHICH COMPANIES NOW ARE EXPECTED TO MAKE COUNTER PROPOSALS.

7. WE EXPECT PRICE COMMITTEE TO SCHEDULE FURTHER NEGOTIATING SESSIONS FOLLOWING MAGHRABI'S RETURN FROM ACCOMPANYING QADHAFI ON HIS MIDDLE EAST TOUR. THERE ARE NO INDICATIONS WHICH COMPANIES MAY BE CALLED, BUT CONTINUATION OF MEETINGS WITH ESSO AND OXY SEEMS MOST LIKELY. IN LIGHT OF JALLUUD'S REPEATED ASSURANCES OF LARGER FLEXIBILITY, MAGHRABI MAY BE MORE AGREEABLE THAN IN PAST, BUT THERE IS NOTHING TO SUGGEST HE WILL GO MORE THAN AGAIN SOLICIT PRICE OFFERS WITHOUT MODIFYING HIS PAST DEMANDS.

8. COMPANIES SEEM TO REMAIN CONVINCED THEY HAVE NO ALTERNATIVE BUT TO RESIST EXTREME DEMANDS, RECOGNIZING LARG MAY ESCALATE PRESSURES ON THEM. GP-4.

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